

CITY OF EMMETSBURG, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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CITY OF EMMETSBURG, IOWA

CITY OFFICIALS

Before January 2008

<u>Official Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Myrna Hedding	January 2, 2008
Mayor Pro Tem	Bill Zeigler	January 2, 2008
Council member	Patrick Degen	January 2, 2008
Council member	Pam Smith	January 2, 2010
Council member	Kirk Haack	January 2, 2008
Council member	Brian Campbell	January 2, 2010
Council member	Steve Finer	January 2, 2010
City Clerk	Jill R. Kliegl	
City Attorney	Brian W. Thul	
City Administrator	John Bird	

After January 2008

Mayor	John Schad	January 2, 2012
Mayor Pro Tem	Patrick Degan	January 2, 2012
Council member	Sandy Pelzer	January 2, 2012
Council member	Pam Smith	January 2, 2010
Council member	Corey Gramowski	January 2, 2012
Council member	Brian Campbell	January 2, 2010
Council member	Steve Finer	January 2, 2010
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	

Burdorf, Parrott And Associates, P.C.

Certified Public Accountants

Edwin J. Burdorf, CPA
Patrick J. Parrott, CPA
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INDEPENDENT AUDITORS' REPORT

To the Honorable
Mayor and
Members of the
City Council City of
Emmetsburg, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Emmetsburg, Iowa. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Capital assets policies of the City's governmental funds and the component units (gas, water and sanitation) do not conform to generally accepted accounting principles as described in Note 1 D (4) and Note 3 B to the financial statements. The amount by which this departure would affect the assets, fund balances, and expenditures/expenses of the governmental and component unit's funds (gas, water and sanitation) is not reasonably determinable.

In our opinion, except for the effects, if any, of not using capital asset policies that fully conform to generally accepted accounting principles for the governmental and component units (gas, water and sanitation), as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, under separate cover, dated March 20, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Emmetsburg, Iowa. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed qualified opinions, for the effects on the financial statements, if any, of the omissions described in the third paragraph of this report, on those financial statements. Other supplementary information including the combining nonmajor fund financial statements, and schedule of revenues by source and expenditures by function - all governmental funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects, if any, of the omissions described in the third paragraph, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Burdorf, Parrott And Associates, P.C.

March 20, 2009

Management's Discussion and Analysis

Our discussion and analysis of the City of Emmetsburg, Iowa's financial performance provides an overview of the City's financial activities for the year ended June 30, 2008. Please read this information in conjunction with the City's financial statements, which follow.

Financial Highlights

- Revenues of the City's governmental activities increased \$374,071 or 11.59% from fiscal year 2007 to fiscal year 2008. Property taxes increased \$59,084 for all activities.
- Program expenses of the City's governmental activities increased \$323,954 or 9.0% in fiscal year 2008 from fiscal year 2007. Public Works and Capital Projects expenses increased \$124,832, and \$225,469, respectively.
- The City's net assets for the primary government increased \$1,298,485 from June 30, 2007 to June 30, 2008. Of this amount, the net assets of the governmental activities increased \$1,216,586 and the net assets of the business-type activities increased by \$81,899.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City as a whole and present an overall view of the City's finances.
- The Fund Financial Statements tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and Capital Projects Funds and the Internal Service Funds.

Reporting the City's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City of Emmetsburg in a better financial position at the end of the fiscal year, compared to last year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. A person will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, interest on debt and debt related fees and capital outlay not included in capital assets. Property tax, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities include garbage pickup (solid waste) and the City's Cemetery. These activities are financed primarily by user charges.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the Lake Project Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the state for housing rehabilitation for low and moderate income families). The City's two kinds of funds are:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.
- Proprietary funds account for the City's Enterprise Funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the change in the net assets for governmental and business-type activities. This does not include the component units of gas, water and sanitation.

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	\$ 4,275,497	3,396,502	499,280	389,892	4,774,777	3,786,394
Capital assets	6,468,537	5,415,567	31,779	43,259	6,500,316	5,458,826
Total assets	10,744,034	8,812,069	531,059	433,151	11,275,093	9,245,220
Liabilities:						
Long-term debt	3,076,829	2,282,166	-	-	3,076,829	2,282,166
Other liabilities	1,653,470	1,734,945	18,562	2,553	1,672,032	1,737,498
Total liabilities	4,730,299	4,017,111	18,562	2,553	4,748,861	4,019,664
Net assets:						
Invested in capital assets, net of related debt	3,391,824	3,133,401	31,779	43,259	3,423,603	3,176,660
Restricted	320,302	329,252	-	-	320,302	329,252
Unrestricted	2,301,609	1,332,305	480,718	387,339	2,782,327	1,719,644
Total net assets	\$ 6,013,735	4,794,958	512,497	430,598	6,526,232	5,225,556

Net assets of governmental activities increased from June 30, 2007 by \$1,179,938 or 24.6%. Net assets of business-type activities increased from June 30, 2007 by \$81,899 or 19.0%. The City's net assets are primarily invested in cash and capital assets, less related debt. By definition, restricted net assets represent resources that are subject to external restrictions, bond covenants, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, are \$2,782,327 at the end of the year.

For the year ended June 30, 2008 and 2007, net assets changed as follows:

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues						
Charges for services	\$ 21,504	38,827	414,047	375,727	435,551	414,554
Operating grants and contributions	368,594	357,517	-	-	368,594	357,517
Capital grants and contributions	443,603	545,999	-	-	443,603	545,999
General Revenues						
Property taxes	1,182,836	1,184,841	-	-	1,182,836	1,184,841
Other City taxes	578,913	426,652	-	-	578,913	426,652
Unrestricted - Intergovernmental	138,245	30,241	-	-	138,245	30,241
Use of money and property	81,011	95,116	14,234	15,551	95,245	110,667
Miscellaneous	802,471	516,189	-	-	802,471	516,189
Total revenues	<u>3,617,177</u>	<u>3,195,382</u>	<u>428,281</u>	<u>391,278</u>	<u>4,045,458</u>	<u>3,586,660</u>
Expenses						
Public safety	501,303	500,115	-	-	501,303	500,115
Public works	860,581	760,528	-	-	860,581	760,528
Culture and recreation	305,300	300,231	-	-	305,300	300,231
Community and economic development	203,559	196,160	-	-	203,559	196,160
General government	297,949	288,524	-	-	297,949	288,524
Debt service	106,727	113,102	-	-	106,727	113,102
Capital outlay not included in assets	193,330	141,527	-	-	193,330	141,527
Solid waste	-	-	340,686	325,028	340,686	325,028
Cemetery	-	-	23,752	23,456	23,752	23,456
Total expenses	<u>2,468,748</u>	<u>2,300,187</u>	<u>364,438</u>	<u>348,484</u>	<u>2,833,186</u>	<u>2,648,671</u>
Increase (decrease) in net assets before transfers	1,148,429	895,195	63,843	42,794	1,212,272	937,989
Transfers	68,158	82,804	18,056	8,000	86,214	90,804
Increase (decrease) in net assets	1,216,587	977,999	81,899	50,794	1,298,486	1,028,793
Net assets, beginning	4,794,958	3,816,959	430,598	379,804	5,225,556	4,196,763
Adjustment to beginning balance	2,191	-	-	-	2,191	-
Net assets, ending	<u>\$ 6,013,736</u>	<u>4,794,958</u>	<u>512,497</u>	<u>430,598</u>	<u>6,526,233</u>	<u>5,225,556</u>

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,534,978. \$58,099 is reserved for debt service and \$66,705 is reserved for Perpetual Care of Cemetery. This leaves an unreserved balance of \$2,410,174.

This governmental fund balance increased by \$900,136 or 56.4%. The increase was due to revenues in excess of expenditures. The significant increase was \$1,165,000 in bonds issued that was not expended during the year ended June 30, 2008.

The General Fund is the chief operating fund of the City of Emmetsburg. At the end of the current fiscal, unreserved fund balance of the General Fund was \$591,288. As a measure of the General Funds liquidity, it may be useful to compare both unreserved fund balances and total fund balances to total fund expenditures. Unreserved fund balance represents 44% of the total General Fund expenditures.

The following fund balances in the other major funds, which comprise the Total Governmental Funds are listed below:

	<u>FY08 Amount</u>	<u>FY07 Amount</u>	<u>Increase (Decrease)</u>
General Fund	\$ 591,288	466,950	124,338
Road Use Tax Fund	195,498	240,749	(45,251)
PA Gaming Corporation Allocation Fund	118,204	23,636	94,568
Industrial Park Fund	642,790	-	642,790
Special Assessments Fund	50,462	55,189	(4,727)
Airport Taxiway and Apron Fund	37,460	(367,947)	405,407

The largest increase in fund balance for the major funds occurred in the Industrial Park Fund. This was due to bonds issued that had not been spent as of June 30, 2008.

The Road Use Fund had the largest decrease in fund balance for the major funds. This decrease was caused by increased expenditures for public works over the prior year.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended June 30, 2008 and June 30, 2007.

Revenues	FY08 Amount	Percent of Total	FY07 Amount	Increase (Decrease) from FY07	Percent of Increase (Decrease)	
Property taxes	\$ 1,167,586	32.41%	\$ 1,108,502	\$ 59,084	5.33	%
Tax increment financing	191,200	5.31%	76,339	114,861	150.46	
Other city tax	374,398	10.39%	449,677	(424,153)	(94.32)	
Licenses and permits	34,755	.96%	17,869	16,886	94.50	
Use of money and property	81,011	2.25%	95,116	(14,105)	(14.83)	
Intergovernmental	950,442	26.40%	933,757	365,559	39.15	
Charges for services	21,504	.60%	35,706	(14,202)	(39.77)	
Special assessments	38,972	1.08%	32,606	6,366	19.52	
Miscellaneous, including fines	742,193	20.60%	478,416	263,777	55.14	
	<u>\$ 3,602,059</u>	<u>100.00%</u>	<u>\$ 3,227,988</u>	<u>\$ 374,073</u>	<u>11.59</u>	<u>%</u>

The following schedule presents a summary of governmental expenditures for the fiscal years ended June 30, 2008 and June 30, 2007.

Expenditures	FY08 Amount	Percent of Total	FY 07 Amount	Increase (Decrease) from FY07	Percent of Increase (Decrease)	
Public safety	\$ 481,599	12.27%	\$ 466,264	\$ 15,335	3.29	%
Public works	767,749	19.55%	642,917	124,832	19.42	
Culture and recreation	307,561	7.83%	452,262	(144,701)	(31.99)	
Community and Economic Development	203,066	5.17%	219,598	(16,532)	(7.53)	
General government	320,051	8.15%	288,854	31,197	10.80	
Debt Service	511,351	13.02%	422,997	88,354	20.89	
Capital projects	1,334,966	34.00%	1,109,497	225,469	20.32	
	<u>\$ 3,926,343</u>	<u>100.00%</u>	<u>\$ 3,602,389</u>	<u>\$ 323,954</u>	<u>8.99</u>	<u>%</u>

The most significant decrease in expenditures occurred in the culture and recreation function. The decrease occurred primarily because PA Gaming Corporation fund was budgeted in the culture and recreation function in FY07, but it was budgeted in the capital projects function for FY08. That also explains why the capital projects fund was the largest increase in expenditures for FY08.

Proprietary Funds

City of Emmetsburg's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Solid Waste and Cemetery funds at the end of the year amounted to \$480,718.

These funds were established for the City operations that are financed and operated in a manner similar to private business enterprises. The cost of providing the services to the general public is recovered, in whole or in part, through user charges.

The City's enterprise operations are comprised of two separate and distinct activities: Solid Waste and the Cemetery Fund. Results of operations for these funds for the year ended June 30, 2008 and June 30, 2007 are as follows:

	Solid Waste		Cemetery	
	2008	2007	2008	2007
Operating Revenues	\$ 399,137	359,198	14,910	16,529
Operating Expense	340,686	325,028	23,752	23,456
Non-Operating revenues	11,234	11,600	3,000	3,951
Operating transfers in	-	-	18,056	8,000
Changes in Net Assets	69,685	45,770	12,214	5,024

Budgetary Highlights

Over the course of the year, the City Council revised the budget two times. These budget amendments were an increase to appropriations to cover unplanned expenditures/ expenses and transfers. The budget amendments were on January 14, 2008 and on May 12, 2008. The City did exceed the debt service budget by \$32,328 and public works by \$75,566.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2008, the City had \$6,500,316 net of depreciation invested in capital assets including police and fire equipment, buildings, park facilities, and infrastructure. This does not include the Component units that had \$10,144,717 invested in capital assets. Infrastructure prior to July 1, 2003 is not included in the financial statements unless they were considered as construction in progress on July 1, 2003.

A schedule of capital assets as of June 30, 2008 and 2007 is as follows.

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land and improvements	\$ 2,920	2,920	16,949	17,646	19,869	20,566
Machinery, equipment, and vehicles	867,391	625,847	824	10,940	868,215	636,787
Buildings	481,597	423,076	14,006	14,673	495,603	437,749
Infrastructure	4,227,341	3,813,625	-	-	4,227,341	3,813,625
Construction in process	889,288	550,099	-	-	889,288	550,099
	<u>\$ 6,468,537</u>	<u>5,415,567</u>	<u>31,779</u>	<u>43,259</u>	<u>6,500,316</u>	<u>5,458,826</u>

The major capital assets added during the current fiscal year included the following:

- Completion of Airport Taxiway construction

More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

Debt

At year-end, the City had \$3,076,713 in outstanding bonds and agreements compared to \$2,315,000 last year. That is an increase of \$761,713, or 32.9%.

	Governmental activities	
	2008	2007
General obligation bonds	\$ 2,985,000	2,210,000
Tax increment financing agreement	91,713	105,000
Total	<u>\$ 3,076,713</u>	<u>2,315,000</u>

State statutes limit the amount of general obligation debt a government entity may issue to 5% of its total assessed valuation. As of June 30, 2008, the City's legal debt margin was \$3,240,331.

More detailed information about the City's long-term debt is presented in Note 3 to the financial statements.

Economic Factors and Next Year's Budget and Rates

During the state legislative session in 2003, the legislature permanently eliminated certain state funding to local governments starting in the year ended June 30, 2004 and will continue in the future. This along with the continuation of the state rollback on residential properties greatly affects the City's general operating fund.

The City has been helped by the new Hotel/Motel tax and the PA Gaming Corporation allocations made annually to the City that can be used for capital improvements. However, the PA Gaming Corporation allocations can not be used for ongoing operating expenses or to fund operating deficits.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2008 are provided below:

General levy	\$ 8.10000
Liability, property & self insurance	.59968
Instrumental/vocal music levy	.13500
Ag land levy	3.00375
Emergency levy	.27000
Employee benefit levy	3.05200
Debt service levy	<u>1.88443</u>
Total	\$ <u>17.044586</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator's Office at 2021 Main, Emmetsburg, Iowa. You can also contact the City Administrator's Office for a separately issued report on the component units. That report is for the gas, water and sanitation departments known as "Emmetsburg Municipal Utilities".

John Bird
City Administrator

City of Emmetsburg, Iowa
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 2,877,200	473,186	3,350,386
Certificates of deposit and investments	2,352	-	2,352
Receivables, net of allowance for uncollectible amounts:			
Property taxes	1,151,877	-	1,151,877
Accrued interest	-	-	-
Special assessments	60,901	-	60,901
Accounts	61,479	15,498	76,977
Current portion of notes receivable	-	-	-
Current portion of primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Other	650	171	821
Due from component unit	10,027	-	10,027
Due from other governments	105,213	-	105,213
Inventories	5,798	10,425	16,223
Prepays and other assets	-	-	-
Restricted assets:			
Cash	-	-	-
Due from primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Loan fees (net of \$4,355 amortization)	-	-	-
Succeeding year taxes receivable	-	-	-
Capital assets:			
Land, land improvements and construction in progress	889,288	19,791	909,079
Other capital assets, net of accumulated depreciation	5,579,249	11,988	5,591,237
Total assets	10,744,034	531,059	11,275,093
LIABILITIES			
Accounts payable	468,349	13,165	481,514
Accrued liabilities	-	2,562	2,562
Interest payable on bonds and other long-term debt	12,691	-	12,691
Due to primary government	-	-	-
Customer deposits	-	-	-
Compensated absences	40,961	2,495	43,456
Long-term liabilities:			
Succeeding year unearned revenue	1,130,593	-	1,130,593
Due to component unit	876	340	1,216
Portion due or payable within one year:			
aas	343,759	-	343,759
Portion due or payable after one year:			
Bonds and other payables	2,733,070	-	2,733,070
Total liabilities	4,730,299	18,562	4,748,861
NET ASSETS			
Invested in capital assets, net of related debt	3,391,824	31,779	3,423,603
Restricted:			
Streets	195,498	-	195,498
Debt service	58,099	-	58,099
Perpetual care	66,705	-	66,705
Unrestricted	2,301,609	480,718	2,782,327
Total net assets	\$ 6,013,735	512,497	6,526,232

See notes to financial statements

Component Units		
Gas Utility	Water Utility	Sanitation Utility
2,338,093	956,099	600,100
349,750	290,000	50,000
-	-	-
215	498	33
-	-	-
291,343	104,237	110,085
-	-	-
1,064	1,241	1,241
-	-	-
-	-	-
-	-	-
6,561	15,054	12,996
58,713	12,070	-
10,214	11,917	11,917
-	29,250	6,895
-	-	-
1,039	67,067	84,542
757,857	4,875,287	4,358,925
3,814,849	6,362,720	5,236,734
78,350	32,848	35,015
6,721	-	-
-	6,346	2,431
5,347	6,498	5,980
58,713	12,070	-
2,188	3,995	2,278
-	-	-
-	-	-
-	109,000	55,000
-	2,434,000	847,000
151,319	2,604,757	947,704
758,896	2,399,354	3,541,467
-	-	-
-	-	-
-	-	-
2,904,634	1,358,609	747,563
3,663,530	3,757,963	4,289,030

City of Emmetsburg, Iowa
Statement of Activities
For the Year Ended June 30, 2008

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
Public safety	\$ 501,303	6,969	-	-
Public works	860,581	-	335,587	443,603
Culture and recreation	305,300	14,535	33,007	-
Community and economic development	203,559	-	-	-
General government	297,949	-	-	-
Interest on long-term debt and related fees	106,727	-	-	-
Capital outlay not included in capital assets	193,330	-	-	-
Total governmental activities	<u>2,468,748</u>	<u>21,504</u>	<u>368,594</u>	<u>443,603</u>
Business-type activities:				
Solid Waste	340,686	399,137	-	-
Cemetery	23,752	14,910	-	-
Total business-type activities	<u>364,438</u>	<u>414,047</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,833,186</u>	<u>435,551</u>	<u>368,594</u>	<u>443,603</u>
Component units				
Gas Utility	\$ 2,770,773	3,154,658	-	-
Water Utility	624,050	653,018	-	-
Sanitation Utility	661,269	605,704	-	-
Total component units	<u>\$ 4,056,092</u>	<u>4,413,380</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes and assessments				
Tax increment financing				
Local option sales tax				
Hotel/motel taxes				
Use of money and property				
Intergovernmental, not restricted to specific programs				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Adjustment to beginning balance				
Net assets - ending				

Note to statement of activities:

The City is dredging Five Island Lake that belongs to the State of Iowa. The City budgets the expenditure as a capital outlay; however, the City does not include the cost of the dredging in its capital assets because it doesn't own the lake and most of the lake is outside the City limits. Therefore, capital outlay is shown as an expenditure on this statement. The City owns the assets used for the dredging project and those assets are recorded in capital asset on the Statement of Net Assets.

The City also budgets in capital projects assets for nonprofits that the City does not own.
See notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Gas Utility	Water Utility	Sanitation Utility
(494,334)	-	(494,334)	-	-	-
(81,391)	-	(81,391)	-	-	-
(257,758)	-	(257,758)	-	-	-
(203,559)	-	(203,559)	-	-	-
(297,949)	-	(297,949)	-	-	-
(106,727)	-	(106,727)	-	-	-
(193,330)	-	(193,330)	-	-	-
<u>(1,635,047)</u>	<u>-</u>	<u>(1,635,047)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	58,451	58,451	-	-	-
-	(8,842)	(8,842)	-	-	-
-	<u>49,609</u>	<u>49,609</u>	-	-	-
<u>(1,635,047)</u>	<u>49,609</u>	<u>(1,585,438)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	383,885	-	-
-	-	-	-	28,968	-
-	-	-	-	-	(55,565)
-	-	-	<u>383,885</u>	<u>28,968</u>	<u>(55,565)</u>
\$ 1,182,836	-	1,182,836	-	-	-
191,200	-	191,200	-	-	-
298,845	-	298,845	-	-	-
88,868	-	88,868	-	-	-
81,011	14,234	95,245	49,303	37,987	19,558
138,245	-	138,245	-	-	-
802,471	-	802,471	-	-	-
68,158	18,056	86,214	(74,213)	(6,000)	(6,000)
<u>2,851,634</u>	<u>32,290</u>	<u>2,883,924</u>	<u>(24,910)</u>	<u>31,987</u>	<u>13,558</u>
1,216,586	81,899	1,298,485	358,975	60,955	(42,007)
4,794,958	430,598	5,225,556	3,304,555	3,697,008	4,331,037
2,191	-	-	-	-	-
<u>\$ 6,013,735</u>	<u>512,497</u>	<u>6,524,041</u>	<u>3,663,530</u>	<u>3,757,963</u>	<u>4,289,030</u>

City of Emmetsburg, Iowa
Balance Sheet
Governmental Funds
June 30, 2008

		Special Revenue	Debt Service	Capital Projects
	General	Road Use	Special	PA Gaming
	Fund	Tax Fund	Assessments	Corporation
			Fund	Allocation Fund
ASSETS				
Cash	\$ 660,565	244,276	48,293	113,515
Investments	-	-	-	-
Receivables, net of allowance for uncollectible amounts:				
Property taxes	11,100	-	-	-
Special assessments	-	-	60,901	-
Accounts	-	-	-	6,000
Other	461	114	-	-
Due from component unit	10,027	-	-	-
Due from other funds	43	331	-	-
Due from other governments	815	26,778	2,169	-
Inventories	5,798	-	-	-
Total assets	<u>\$ 688,809</u>	<u>271,499</u>	<u>111,363</u>	<u>119,515</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 65,484	63,413	-	1,311
Deferred revenue	-	-	60,901	-
Compensated absences - current	27,308	12,433	-	-
Due to other funds	4,007	-	-	-
Due to Component Unit	722	154	-	-
Total liabilities	<u>97,521</u>	<u>76,000</u>	<u>60,901</u>	<u>1,311</u>
FUND BALANCES				
Reserved for:				
Debt service	-	-	50,462	-
Perpetual Care	-	-	-	-
Unreserved:				
Undesignated, reported in:				
General fund	591,288	-	-	-
Special revenue funds	-	195,498	-	-
Capital projects funds	-	-	-	118,204
Total fund balances	<u>591,288</u>	<u>195,498</u>	<u>50,462</u>	<u>118,204</u>
Total liabilities and fund balances	<u>\$ 688,809</u>	<u>271,497</u>	<u>111,363</u>	<u>119,515</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds

Long-term special assessments receivable are not considered available to pay for current period's expenditures and reported as

Accrued interest payable, is not due and payable in the current period and, therefore, is not reported in the funds.

Bonds payable and contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds, net of unamortized discount of \$37,478

Net assets of governmental activities

See notes to financial statements

Capital Projects			
Industrial Park Fund	Airport Taxiway and Apron Fund	Other Governmental Funds	Total Governmental Funds
645,039	37,460	1,128,052	2,877,200
-	-	2,352	2,352
-	-	10,184	21,284
-	-	-	60,901
-	-	55,479	61,479
-	-	75	650
-	-	-	10,027
-	-	4,007	4,381
-	-	36,612	66,374
-	-	-	5,798
<u>645,039</u>	<u>37,460</u>	<u>1,236,761</u>	<u>3,110,446</u>
2,249	-	335,891	468,348
-	-	-	60,901
-	-	1,220	40,961
-	-	374	4,381
-	-	-	876
<u>2,249</u>	<u>-</u>	<u>337,485</u>	<u>575,467</u>
-	-	7,637	58,099
-	-	66,705	66,705
-	-	-	591,288
-	-	443,834	639,332
<u>642,790</u>	<u>37,460</u>	<u>381,100</u>	<u>1,179,554</u>
<u>642,790</u>	<u>37,460</u>	<u>899,276</u>	<u>2,534,978</u>
<u>645,039</u>	<u>37,460</u>	<u>1,236,761</u>	

accumulated depreciation of \$2,098,195 6,468,537

38,839

deferred revenues in the funds. 60,901

(12,691)

(3,076,829)

\$ 6,013,735

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General Fund	Special Revenue Road Use Tax Fund	Debt Service Special Assessments Fund	Capital Projects PA Gaming Corporation Allocation Fund
Revenues:				
Property taxes	\$ 633,157	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	89,396	-	-	-
Licenses and permits	33,932	-	-	-
Use of money and property	45,301	-	1,971	1,255
Intergovernmental	40,798	335,587	-	-
Charges for services	21,504	-	-	-
Special Assessments	-	-	38,972	-
Fines and forfeitures	17,010	-	-	-
Miscellaneous	64,753	101	-	390,439
Total revenues	<u>945,851</u>	<u>335,688</u>	<u>40,943</u>	<u>391,694</u>
Expenditures:				
Current:				
Public safety	476,288	-	-	-
Public works	167,846	510,857	-	-
Culture and recreation	301,101	-	-	-
Community and economic development	66,557	-	-	-
General government	320,051	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	212,320
Total expenditures	<u>1,331,843</u>	<u>510,857</u>	<u>-</u>	<u>212,320</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(385,992)</u>	<u>(175,169)</u>	<u>40,943</u>	<u>179,374</u>
Other financing sources (uses)				
Bonds issued	-	-	-	-
Discount on bonds issued	-	-	-	-
Transfers in	527,030	129,918	-	73,775
Transfers out	(66,676)	-	(45,670)	(158,580)
Total other financing sources (uses)	<u>460,354</u>	<u>129,918</u>	<u>(45,670)</u>	<u>(84,805)</u>
Net change in fund balances	74,362	(45,251)	(4,727)	94,569
Fund balances (deficits), beginning	466,950	240,749	55,189	23,636
Reclassification of Fund balance, beginning	49,976	-	-	-
Fund balances, ending	<u>\$ 591,288</u>	<u>195,498</u>	<u>50,462</u>	<u>118,205</u>

See notes to financial statements

Capital Projects			
Industrial Park Fund	Airport Taxiway and Apron Fund	Other Governmental Funds	Total Governmental Funds
-	-	534,429	1,167,586
-	-	191,200	191,200
-	-	285,002	374,398
-	-	823	34,755
2,137	72	30,275	81,011
-	443,603	130,453	950,442
-	-	-	21,504
-	-	-	38,972
-	-	-	17,010
-	-	269,890	725,183
<u>2,137</u>	<u>443,675</u>	<u>1,442,072</u>	<u>3,602,059</u>
-	-	5,311	481,599
-	-	89,046	767,749
-	-	6,460	307,561
-	-	136,510	203,066
-	-	-	320,051
-	-	511,351	511,351
3,351	77,794	1,041,501	1,334,966
<u>3,351</u>	<u>77,794</u>	<u>1,790,178</u>	<u>3,926,343</u>
<u>(1,214)</u>	<u>365,881</u>	<u>(348,107)</u>	<u>(324,283)</u>
613,606	-	551,395	1,165,001
(4,602)	-	(4,136)	(8,738)
35,000	39,526	667,800	1,473,049
-	-	(1,133,965)	(1,404,892)
<u>644,004</u>	<u>39,526</u>	<u>81,094</u>	<u>1,224,419</u>
642,790	405,407	(267,013)	900,136
-	(367,947)	1,176,265	1,594,842
-	-	(9,976)	40,000
<u>642,790</u>	<u>37,460</u>	<u>899,276</u>	<u>2,534,978</u>

City of Emmetsburg, Iowa
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$	900,136
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Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Net acquisition of capital assets	1,313,649
Depreciation expense	(260,679)

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Local option sales tax	13,843
Hotel/motel taxes	24,996

The change in long-term special assessments receivable is shown as deferred revenue in the funds and revenue in the government-wide statements	(23,722)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

New debt issued	(1,165,000)
Discount on general obligation bonds	8,738
Repaid	406,764
Accrued interest	1,956
Amortization of discount on general obligation bonds	(4,095)

Change in net assets of governmental activities	\$	<u>1,216,586</u>
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See notes to financial statements

City of Emmetsburg, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
ASSETS			
Current assets:			
Cash	\$ 421,318	51,868	473,186
Receivables			
Customers	15,498	-	15,498
Other	103	68	171
Inventories	10,425	-	10,425
Total current assets	<u>447,344</u>	<u>51,936</u>	<u>499,280</u>
Capital assets:			
Land and improvements	-	19,791	19,791
Buildings	21,096	2,795	23,891
Equipment and vehicles	187,379	7,034	194,413
Accumulated depreciation	(194,722)	(11,594)	(206,316)
Total capital assets	<u>13,753</u>	<u>18,026</u>	<u>31,779</u>
Total assets	<u>\$ 461,097</u>	<u>69,962</u>	<u>531,059</u>
LIABILITIES			
Current liabilities:			
Accounts payable	12,724	441	13,165
Other payables	2,562	-	2,562
Due to Component Unit	340	-	340
Compensated absences - due within one year	\$ 2,495	-	2,495
Total current liabilities	<u>18,121</u>	<u>441</u>	<u>18,562</u>
NET ASSETS			
Invested in capital assets, net of related debt	13,753	18,026	31,779
Unrestricted	429,223	51,495	480,718
Total net assets	<u>\$ 442,976</u>	<u>69,521</u>	<u>512,497</u>

See notes to financial statements

City of Emmetsburg, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Asset
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
Operating revenues:			
Charges for services	\$ 399,137	-	399,137
Other	-	14,910	14,910
Total operating revenues	<u>399,137</u>	<u>14,910</u>	<u>414,047</u>
Operating expenses:			
Personal services	151,778	1,420	153,198
Contractual services	147,720	17,157	164,877
Supplies and equipment	30,858	4,025	34,883
Depreciation	10,330	1,150	11,480
Total operating expenses	<u>340,686</u>	<u>23,752</u>	<u>364,438</u>
Operating income (loss)	<u>58,451</u>	<u>(8,842)</u>	<u>49,609</u>
Nonoperating revenues (expenses):			
Interest revenue	11,234	3,000	14,234
Income before transfers	<u>69,685</u>	<u>(5,842)</u>	<u>63,843</u>
Transfers in	<u>-</u>	<u>18,056</u>	<u>18,056</u>
Change in net assets	69,685	12,214	81,899
Net assets, beginning	373,291	57,307	430,598
Net assets, ending	<u>\$ 442,976</u>	<u>69,521</u>	<u>512,497</u>

See notes to financial statements

City of Emmetsburg, Iowa
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 399,815	15,697	415,512
Payments to suppliers	(165,126)	(20,740)	(185,866)
Payments to employees	(151,836)	(1,420)	(153,256)
Net cash provided by operating activities	82,853	(6,463)	76,390
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	18,056	18,056
Cash from or (to) Component Units	30,786	-	30,786
Net cash provided by (used for) noncapital financing activities	30,786	18,056	48,842
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	11,233	3,000	14,233
Net increase (decrease) in cash	124,872	14,593	139,465
CASH BALANCES, Beginning	296,446	37,275	333,721
CASH BALANCES, Ending	\$ 421,318	51,868	473,186
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 58,451	(8,842)	49,609
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	10,330	1,150	11,480
Change in assets and liabilities:			
(Increase) decrease in:			
Customer and other receivables	678	787	1,465
Inventories	(1,834)	-	(1,834)
Increase (decrease) in accounts payable, accrued and other liabilities	15,228	441	15,669
Net cash provided by operating activities	\$ 82,853	(6,464)	76,389

See notes to financial statements

**CITY OF EMMETSBURG, IOWA
NOTES TO FINANCIAL STATEMENTS
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Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Emmetsburg is a municipal corporation governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. The discretely presented gas, water, and sanitation utilities each have a June 30 year end.

Discretely Presented Component Units. The gas, water, and sanitation utilities serve all the citizens of the City and are governed by a five-member board appointed by the mayor of the City of Emmetsburg. The rates for user charges and bond issuance authorizations are approved by the City Council, and the legal liability for the general obligation portion of the Utilities' debt remains with the City.

Complete financial statements for the Utilities may be obtained at the administrative offices.

Emmetsburg Municipal Utilities
2021 Main Street
Emmetsburg, Iowa 50536

Jointly Governed Organizations. The City also participates in one jointly governed organization for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. The Mayor and Police Chief are members of the Palo Alto County Joint E911 Service Board. The City also participated with Iowa Lakes Community College in the operation of the community library and wellness center. The City has recorded its share of the expense in the governmental fund. The community wellness center and library is an asset of the College and its audit is included in the college audit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain separate component units for which the primary government is financially accountable.

The statement of net assets presents the assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are, aggregated and reported as other governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest, fines and forfeitures, and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met, and the criteria for accrual has been met.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *road use tax fund* accounts for state revenues allocated to the City to be used to maintain and improve the City's streets.

The *PA Gaming Corporation allocation fund* accounts for resources allocated to the City by agreement with the Wild Rose Casino and for grants applied for by the City that is used for community improvements.

The *special assessments fund* account for the servicing of special assessment debt.

The *Industrial park fund* accounts for the improvements at the industrial park.

The *airport taxiway and apron fund* accounts for the construction of major Capital improvements relating to the taxiway and apron at the Emmetsburg Municipal Airport.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments between the government's component unit and various other functions of the government. Elimination of the charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues do not include all taxes. The taxes are recorded as a liability and submitted to the taxing authority from the liability account.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the solid waste fund and cemetery funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. Investments of the City are reported at fair value.

Due to legal reasons, the General Fund is assigned a portion of the investment earnings associated with the Road Use Tax fund. The Cemetery fund is assigned the investment earnings associated with the Cemetery Perpetual Care Fund. Due to budgetary and policy reasons the General Fund is assigned a portion of the investment earnings associated with the Employee Benefit Fund, Capital Improvements Revolving Fund and the Lake Project Fund. The City transfers the interest from the General Fund to the Lake Project Fund in the form of a transfer.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City uses the direct write off method that does not materially differ from generally accepted accounting principles.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2008, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2007 and March 31, 2008. On July 1, 2007 the taxes were levied by the County and became an enforceable lien against property. Any County collections on the 2007-2008 tax levy remitted to the City within sixty days subsequent to June 30, 2008, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2008, are delinquent but have not been recorded as receivables and deferred revenue due to their immateriality.

By statute, the City is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

3. *Inventories and Prepaid Items*

Inventories in the governmental fund types are valued at cost using the first-in/first-out method. The costs of governmental fund type inventories are not recognized as expenditures when purchased as required by generally accepted accounting principles. The cost is recognized as expenditures when consumed. However, the amount is not material to the financial statements.

Inventories in the proprietary fund types are valued at the lower of first-in/first-out cost or market. The cost of proprietary fund type inventories are recognized as expenses when consumed.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are defined by the government as equipment with initial, individual cost of \$1,000 or greater or a purchase of land, land improvements, building, or infrastructure with a value of \$5,000 or greater and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City did not maintain a capital assets record prior to the adoption of GASB 34. The City estimated the cost of buildings, equipment, vehicles and accumulated depreciation based on approximate date of purchase. Land related to parks, airport etc. has not been estimated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are not included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Machinery and equipment	1-15 years
Vehicles	5-15 years
Improvements	15-20 years
Infrastructure	40 years
Buildings	20-20 years

5. Compensated Absences

City employees accumulate vacation, sick leave, and comp-time hours for subsequent use or for payment upon termination, death, or retirement. Earned vacation pay may be paid upon termination of employment. The liability for compensated absences is recorded as current in the government-wide statements since historical trends indicate none are long-term.

The compensated absence liability has been computed based on rates of pay in effect on June 30, 2008.

6. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary information

The City prepares and adopts an annual budget on a function basis for the City as a whole, rather than at the fund level, as prescribed by Iowa statutes. The State of Iowa mandates that annual budgets for the fiscal year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. The review and adoption of the budget for the City is in accordance with state laws and City budget procedures as stated in City Code, and amended by ordinance adoption thereafter. Budget proposals for all operating department requests are conducted by the City Clerk who prepares, for the Council's, a preliminary budget during the month of February of each year for the coming fiscal year. The budget proposal presented to the City Council by the Mayor and City Clerk is a complete financial plan for the upcoming fiscal year. The City Council holds various budget meetings with the Mayor, City Clerk, department heads, and boards and commissions, as well as holding a public hearing prior to adopting the budget. The Council adopts the budget by resolution and certifies it to the County Auditor by the 15th of March preceding the beginning of the fiscal year. This budget becomes the appropriation for operations of the City.

The adopted budget presents expenditures in eight functions - Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level. Appropriations as adopted lapse at the end of the fiscal year.

Amendments to the City budget are considered annually as funding sources are available. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. An additional levy of property taxes is not allowed, by state law. The City budget for the current year may be amended for any of the following purposes:

- To permit the appropriation and expenditure of unexpended, unencumbered fund balances on hand at the end of the preceding fiscal year.
- To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- To permit transfers between funds as prescribed by state law.
- To permit transfers between functions.

The Council adopts the amended budget by resolution and certifies it to the County Auditor by May 31 of the budget year. The amended budget becomes the appropriation for operations of the City. The City Council adopted one budget amendment resolution during the year ended June 30, 2008.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Due to the emphasis placed on monitoring budgets, as a result of limited resources to provide City services, major classifications such as personal services, capital outlays, contractual services, and commodities are monitored throughout the year by the City Clerk.

Monthly reports are prepared by department and activity. Any major deviations must be approved by the City Council. While the legal level of control is the program level of expenditure, departments are responsible for not expending more than the amount of the appropriation for each activity within their area of responsibility, unless approved by, City Council.

The City budgets all revenues, expenditures and expenses, and interfund and intrafund transfers on the modified accrual basis. The budget amounts included in this report are the final modified accrual basis budget for the year for all funds. Budgeted interfund transfers and intrafund transfers have been eliminated in the statement of budgetary comparison schedule of revenues, expenditures/expenses and changes in fund balances - budget and actual.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the General Fund and most of the special revenue funds, unexpended budgeted amounts lapse at the end of the budget year.

B. Deficit Fund Balance

Two nonmajor capital project funds, South Grand and Safe Routes to School funds have deficit fund balances of \$174,774 and \$40, respectively. The deficits are expected to be recovered through future revenue.

Note 3. Detailed Notes on All Funds

A. Deposits and investments

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City received as a donation insured registered corporate stock with a book value of \$2,041. No determination of the market value of this stock has been determined.

The City had no investments meeting the disclosure requirements, of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk: The City's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk: The City's investment policy does not allow investments in commercial paper, other corporate debt, commercial paper or other corporate debt during the year.

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City did not hold any investments during the year.

The component units' deposits were entirely covered by Federal depository insurance and by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there is no loss of public funds.

B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

Governmental Activities:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Asset costs				
Land and land improvements	2,920		-	2,920
Machinery and equipment, vehicles	\$ 1,949,405	361,326	-	2,310,731
Buildings	752,860	76,674	-	829,534
Infrastructure	3,997,801	536,458	-	4,534,259
Construction in progress	550,099	867,336	528,147	889,288
Total assets costs	<u>7,253,085</u>	<u>1,841,794</u>	<u>528,147</u>	<u>8,566,732</u>
Less accumulated depreciation				
Machinery and equipment	1,323,558	119,782	-	1,443,340
Buildings	329,784	18,153	-	347,937
Infrastructure	184,176	122,742	-	306,918
Total accumulated depreciation	<u>1,837,518</u>	<u>260,677</u>	<u>-</u>	<u>2,098,195</u>
Governmental activities capital assets, net	<u>\$ 5,415,567</u>	<u>1,581,117</u>	<u>528,147</u>	<u>6,468,537</u>

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Business-type activities:				
Land and improvements	\$ 19,791	-	-	19,791
Machinery and equipment, vehicles	194,413	-	-	194,413
Building	23,891	-	-	23,891
Total assets cost	238,095	-	-	238,095
Less accumulated depreciation				
Land and improvements	2,146	696	-	2,842
Machinery and equipment, vehicles	183,472	10,117	-	193,589
Building	9,218	667	-	9,885
Total accumulated depreciation	194,836	11,480	-	206,316
Business-type assets, net	\$ 43,259	(11,480)	-	31,779

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Public safety	\$ 38,231
Public works	186,830
Culture and recreation	33,767
Community and economic development	493
General government	1,358
Total depreciation expense - governmental funds	<u>\$ 260,679</u>

Business-type activities:

Solid waste	\$ 10,330
Cemetery	1,150
	<u>\$ 11,480</u>

Construction Commitments

The City has active construction projects as of June 30, 2008. At year-end the City's commitments with contractors are as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Remaining Commitment</u>
Kearney Park Improvements	\$ 41,976	41,976	A
Airport Terminal Project	***	335	***
Industrial Park - Construction	786,904	31,718	755,186
South Grand Street Project	1,422,731	664,221	758,510
Monroe Street Project		51,303	****
Runway Improvements		7,191	A
Taxiway and Apron Project		77,794	A
Environment assess	57,999	14,750	43,249
*** No project estimate			
**** Postponed until FY11			
A Basically Complete			

Discretely Presented Component Units

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Gas Department:				
Land	\$ 1,039	-	-	1,039
Structures & plant	333,319	-	-	333,319
Distribution system	1,154,092	-	-	1,154,092
Equipment, meters & mains	<u>807,342</u>	<u>6,579</u>	<u>-</u>	<u>813,921</u>
Total asset costs	2,295,792	6,579	-	2,302,371
Less accumulated depreciation	<u>(1,490,782)</u>	<u>(52,693)</u>	<u>-</u>	<u>(1,543,475)</u>
Gas Department assets, net	<u>\$ 805,010</u>	<u>(46,114)</u>	<u>-</u>	<u>758,896</u>
Water Department:				
Land	\$ 67,067	-	-	67,067
Structures & plant	3,942,440	-	-	3,942,440
Distribution system	1,908,888	18,283	-	1,927,171
Equipment, meters & mains	<u>995,599</u>	<u>12,107</u>	<u>-</u>	<u>1,007,706</u>
Total asset costs	6,913,994	30,390	-	6,944,384
Less accumulated depreciation	<u>(1,794,958)</u>	<u>(207,072)</u>	<u>-</u>	<u>(2,002,030)</u>
Water Department assets, net	<u>\$ 5,119,036</u>	<u>(176,682)</u>	<u>-</u>	<u>4,942,354</u>
Sanitation Department:				
Land	\$ 84,542	-	-	84,542
Structures & plant	4,348,889	-	-	4,348,889
Distribution system	1,430,372	20,315	-	1,450,687
Equipment, meters & mains	<u>1,643,659</u>	<u>15,778</u>	<u>-</u>	<u>1,659,437</u>
Total asset costs	7,507,462	36,093	-	7,543,555
Less accumulated depreciation	<u>(2,924,990)</u>	<u>(175,098)</u>	<u>-</u>	<u>(3,100,088)</u>
Sanitation Department assets, net	<u>\$ 4,582,472</u>	<u>(139,005)</u>	<u>-</u>	<u>4,443,467</u>

No detailed depreciation schedule or continuing property record is maintained. Consequently, it is impossible to use generally accepted accounting principles for retirements or abandonment of capital assets. Salaries paid for plant investment have been expensed at the time of payment. Vehicle expense and overhead related to construction is not capitalized. Under generally accepted accounting principles, salaries, vehicle expenses and overhead should be capitalized.

C. Long-term Debt

General Obligation Bonds

Unmatured general obligation bonds totaling \$2,947,522, net of unamortized discount, are outstanding as of June 30, 2008. These bonds bear interest with rates ranging from 1.50% to 5.45%; mature in varying annual amounts through June 30, 2017; and were originally issued for \$4,420,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2009	\$ 320,000	106,220
2010	210,000	91,578
2011	1,385,000	84,202
2012	230,000	42,463
2013	240,000	33,882
2014-2017	600,000	50,153
Total	\$ 2,985,000	408,498

Tax Increment Financing Agreement

A Palo Alto County Company has constructed public infrastructure located in the South Urban Renewal Area. In recognition of the Company's obligation the City agreed to make ten semi-annual tax increment payments in the aggregate principal amount of \$105,000 plus interest at 8.30% per annum, maturing June 1, 2012. \$91,713 remains outstanding as of June 30, 2008. Annual debt service requirements to maturity for the tax increment financing agreement are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2009	\$ 20,212	7,201
2010	21,924	5,489
2011	23,781	3,632
2012	25,796	1,617
Total	\$ 91,713	17,939

As of June 30, 2008, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Estimated Actual valuation of taxable property with the City	\$ <u>124,506,629</u>
Debt limit - 5% of total actual valuation	\$ 6,225,331
Debt applicable to debt limit:	
General obligation bonds	<u>2,985,000</u>
Legal debt margin	\$ <u>3,240,331</u>

All tax-exempt debt issued by the City is subject to IRS arbitrage rebate unless the City meets the \$5 million small issuers exemption in a given year. As of June 30, 2008, the City had no arbitrage liability.

Debt Summary

Following is a summary of the City's debt transactions for the year ended June 30, 2008, and the total bonded indebtedness of the City as of that date.

	Date of Issue	Balance July 1, 2007	Incurred/ Issued	Redeemed/ Paid	Balance June 30, 2008
Governmental Activities:					
General obligation bonds:					
\$1,060,000 street improvement	1996	\$ 225,000	-	110,000	115,000
\$665,000 corporate purpose	1998	80,000	-	80,000	-
\$475,000 corporate purpose	2004	345,000	-	45,000	300,000
\$1,050,000 corporate purpose	2005	890,000	-	100,000	790,000
\$670,000 street improvement	2006	670,000	-	55,000	615,000
\$1,165,000 GO Corporate Purpose Bond Anticipation Notes, Series 2008	2008	-	1,165,000	-	1,165,000
		2,210,000	1,165,000	390,000	2,985,000
Less unamortized discount		32,834	8,738	4,094	37,478
		2,177,166	1,156,262	385,906	2,947,522
Tax increment financing agreement	2006	105,000	-	13,287	91,713
Governmental activity total					
Long-term debt		\$ <u>2,282,166</u>	<u>1,156,262</u>	<u>399,193</u>	<u>3,039,235</u>

Component Unit Debt Information:**Revenue Bonds and Installment Agreements – Water and Sanitation Utility**

The Series 1998A, 1998B, 2005MC60R, 2005 revenue bonds and Iowa Finance Authority Loan and Disbursement Agreement require annual principal payments, due December 1, and semi-annual interest payments, due June 1 and December 1. Interest rates throughout the term of the bonds are in a range between 3.00% and 4.23%. The Iowa Finance Authority Loan and Disbursement Agreement' interest rate is 0%. The bonds are secured by the future net revenues of the Utility. Long-term debt matures and bears interest as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 164,000	103,646	267,646
2010	217,000	96,930	313,930
2011	170,000	91,920	261,920
2012	174,000	86,820	260,820
2013	177,000	81,600	258,600
2013-2025	<u>2,543,000</u>	<u>540,180</u>	<u>3,083,180</u>
	\$ <u>3,445,000</u>	<u>1,001,096</u>	<u>4,446,096</u>

Debt Summary – Water and Sanitation Utility

Long-term debt activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Incurred/ Issued	Redeemed/ Paid	Balance June 30, 2008
Revenue bonds:				
Water Utility:				
Series 2005	\$ 2,648,000	-	105,000	2,543,000
Sanitation Utility:				
Series 1998A	230,000	-	20,000	210,000
Series 1998B	122,000	-	10,000	112,000
Series 2005 MC60R	<u>555,000</u>	<u>-</u>	<u>25,000</u>	<u>530,000</u>
Total revenue bonds	3,555,000	-	160,000	3,395,000
Sanitation Utility:				
Loan and disbursement agreement	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total long-term debt	<u>\$ 3,605,000</u>	<u>-</u>	<u>160,000</u>	<u>3,445,000</u>

D. Due to Component Unit

The City issued the Emmetsburg Municipal Utilities a \$40,000 Urban Renewal Tax Increment Revenue Bond dated October 11, 2006. Principal on this bond shall bear interest at the rate of 4% per annum. The bond is due in 20 equal semi-annual installments of \$2,508 each December 1 and June 1, commencing December 1, 2007. The bond matures on June 1, 2017. The June 30, 2008 balance is 37,594.

The long-term due to Component Unit and due from Primary Government is as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 3,547	1,469	5,016
2010	3,690	1,325	5,015
2011	3,839	1,176	5,015
2012	3,994	1,021	5,015
2013	4,155	860	5,015
2014-2017	<u>18,369</u>	<u>1,691</u>	<u>20,060</u>
	<u>\$ 37,594</u>	<u>7,542</u>	<u>45,136</u>

E.. Interfund Transactions

The following transfers represent individual fund interfund transfers as stated in the Fund Financial Statements.

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	PA Gaming Corporation	\$
	Allocation Fund	50,924
	Component Unit	68,158
	Non-major Governmental Funds	<u>407,948</u>
		<u>527,030</u>
Road Use Tax Fund	Non-major Governmental Funds	<u>129,918</u>
PA Gaming Corporation Allocation Fund	General Fund	73,775
Industrial Park Fund	Non-major Governmental Funds	<u>35,000</u>
Airport Taxiway and Apron Fund	Non-major Governmental Funds	<u>39,526</u>
Non-major Governmental Funds	General Fund	
	Special Assessments Fund	45,670
	PA Gaming Corporation Allocation Fund	107,656
	Non-major Governmental Funds	<u>514,475</u>
		<u>667,801</u>
	Total	\$ <u>1,473,050</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move debt service payments from general fund, capital projects funds or special revenue funds to the debt service fund as debt service payments come due, (3) to move Interest receipts for the lake project fund for interest earned on its investments and deposited in the general fund by City policy, and (4) to move funds to and from various capital projects funds for the purchase or construction of new capital assets.

F. Interfund Balances

Individual interfund receivables and payable balances by fund type as of June 30, 2008 were stated in the fund financial statements as follows:

Fund	Receivable	Payable
General Fund	\$43	\$4,007
Road Use Tax Fund	\$331	-
Nonmajor Governmental Funds	\$4,007	\$374

Note 4. Other Notes

A. Retirement Systems

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$54,282, \$55,008 and \$ 50,900 respectively, equal to the required contributions for each year.

Deferred Compensation Plan

The City, exclusive of the Emmetsburg Municipal Utilities, offers a deferred compensation plan for its employees under IRS Code Section 457. The City plan is invested in ING through the Financial Center in Emmetsburg, Iowa.

B. Other Employee Benefits

The City maintains hospitalization and life insurance coverage for all of its full-time employees. The City pays all costs of the basic insurance. The City also partially self-insures a portion of the health insurance through a medical reimbursement plan. The City had no material claims incurred but not reported as of June 30, 2008.

C. Related Party Transactions

The Component Unit bills and collects for garbage and recycling services provided for by the Solid Waste Fund to its residents. During the year ended June 30, 2008, the Component Unit billed \$328,834 in fees for the Solid Waste Fund.

D. Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

E. Budget

Expenditures during the year ended June 30, 2008 exceeded the amount budgeted in the debt service function by \$32,328 and public works by \$75,566. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

City of Emmetsburg, Iowa
 Budgetary Comparison Schedule - Function Budget
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - (Negative)
	Original	Final		
Revenues:				
Property taxes and assessments	\$ 1,130,593	1,130,593	1,167,586	36,993
Tax increment financing	194,882	194,882	191,200	(3,682)
Other City taxes	426,352	426,352	374,398	(51,954)
Licenses and permits	32,455	32,455	34,755	2,300
Use of money and property	71,510	71,510	202,093	130,583
Intergovernmental	1,560,787	1,560,787	950,442	(610,345)
Charges for services	5,523,858	5,523,858	4,834,021	(689,837)
Special Assessments	80,500	80,500	38,972	(41,528)
Miscellaneous	395,236	395,236	752,103	356,867
Total revenues	<u>9,416,173</u>	<u>9,416,173</u>	<u>8,545,570</u>	<u>(870,603)</u>
Expenditures:				
Current:				
Public safety	498,074	500,424	481,599	18,825
Public works	611,403	692,183	767,749	(75,566)
Culture and recreation	329,660	380,410	307,561	72,849
Community and economic development	416,805	479,107	203,066	276,041
General government	295,322	334,455	320,051	14,404
Debt service	479,023	479,023	511,351	(32,328)
Capital projects	1,970,879	3,138,454	1,334,966	1,803,488
Business-type	5,780,990	5,505,880	4,420,530	1,085,350
Total expenditures	<u>10,382,156</u>	<u>11,509,936</u>	<u>8,346,873</u>	<u>3,163,063</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(965,983)</u>	<u>(2,093,763)</u>	<u>198,697</u>	<u>2,292,460</u>
Other financing sources (uses):				
Bonds issued	524,380	2,278,936	1,165,001	(1,113,935)
Discount on bonds issued	-	-	(8,738)	(8,738)
Transfers in	1,128,342	1,128,342	1,491,106	362,764
Transfers out	<u>(1,128,342)</u>	<u>(1,492,763)</u>	<u>(1,491,105)</u>	<u>1,658</u>
Total other financing sources (uses)	<u>524,380</u>	<u>1,914,515</u>	<u>1,156,264</u>	<u>(758,251)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(441,603)</u>	<u>(179,248)</u>	<u>1,354,961</u>	<u>1,534,209</u>
Fund balances, beginning	13,310,025	13,310,025	13,363,040	53,015
Reclassification of fund balance, beginning	-	-	40,000	40,000
balance, beginning	<u>\$ 12,868,422</u>	<u>13,130,777</u>	<u>14,758,001</u>	<u>1,627,224</u>

See notes to the required supplementary information.

City of Emmetsburg, Iowa
Notes to Required Supplementary Information - Budgetary Reporting
For the Year ended June 30, 2008

1. Budgetary Reporting

The budget includes the Component Unit's budgeted figures as well as the Primary Government's budgeted figures.

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget basis and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures required to be budgeted include expenditures for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Enterprise Funds. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund.

During the year, the budget amendments increased budgeted expenditures by \$2,035,283. These budget amendments are reflected in the final budgeted amounts.

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(Page 1 of 4)

	Special Revenue		
	Emergency Fund	Employee Benefit Fund	Local Option Sales Tax Fund
ASSETS			
Cash	\$ -	31,504	234,807
Investments	-	-	-
Receivables			
Property taxes	307	4,968	-
Accounts	-	-	-
Other	-	-	-
Due from other funds	-	4,007	-
Due from other governments	-	-	-
Total assets	<u>\$ 307</u>	<u>40,479</u>	<u>234,807</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Compensated absences	-	-	-
Due to other funds	-	374	-
Due to Component Unit	-	-	-
Total liabilities	<u>-</u>	<u>374</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Perpetual Care	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	307	40,105	234,807
Capital projects funds	-	-	-
Total fund balances (deficit)	<u>307</u>	<u>40,105</u>	<u>234,807</u>
Total liabilities and fund balances	<u>\$ 307</u>	<u>40,479</u>	<u>234,807</u>

South TIF Fund	North TIF Fund	North TIF LMI Set Aside Fund	East TIF Fund	ECDC Trust Fund
36	51,626	485	(208)	83,639
-	-	-	-	2,352
1,433	-	-	-	-
-	-	-	858	241
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,469</u>	<u>51,626</u>	<u>485</u>	<u>650</u>	<u>86,232</u>
-	-	-	-	1,971
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	<u>1,971</u>
-	-	-	-	-
-	-	-	-	-
1,469	51,626	485	650	84,261
-	-	-	-	-
<u>1,469</u>	<u>51,626</u>	<u>485</u>	<u>650</u>	<u>84,261</u>
<u>1,469</u>	<u>51,626</u>	<u>485</u>	<u>650</u>	<u>86,232</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(Page 2 of 4)

	Special Revenue		Debt Service
	ECDC Revolving Loan Fund	Community Beautification Fund	Debt Service Fund
ASSETS			
Cash	\$ 16,890	13,257	4,161
Investments	-	-	-
Receivables			
Property taxes	-	-	3,476
Accounts	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 16,890</u>	<u>13,257</u>	<u>7,637</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	23	-
Compensated absences	-	-	-
Due to other funds	-	-	-
Due to Component Unit	-	-	-
Total liabilities	<u>-</u>	<u>23</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	7,637
Perpetual Care	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	16,890	13,234	-
Capital projects funds	-	-	-
Total fund balances (deficit)	<u>16,890</u>	<u>13,234</u>	<u>7,637</u>
Total liabilities and fund balances	<u>\$ 16,890</u>	<u>13,257</u>	<u>7,637</u>

Permanent Perpetual Care Fund	Capital Projects Improvement Revolving Fund	South Grand Fund	Rail Road Fund	Kearny Park Fund	First Street Fund
66,705	75,940	118,455	30,053	9,511	4,402
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>66,705</u>	<u>75,940</u>	<u>118,455</u>	<u>30,053</u>	<u>9,511</u>	<u>4,402</u>
-	-	293,229	11,488	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>293,229</u>	<u>11,488</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
66,705	-	-	-	-	-
-	-	-	-	-	-
-	75,940	(174,774)	18,565	9,511	4,402
<u>66,705</u>	<u>75,940</u>	<u>(174,774)</u>	<u>18,565</u>	<u>9,511</u>	<u>4,402</u>
<u>66,705</u>	<u>75,940</u>	<u>118,455</u>	<u>30,053</u>	<u>9,511</u>	<u>4,402</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(Page 3 of 4)

	Capital Projects		
	Highway 18/ Urban Fund	Airport Runway Fund	Safe Routes to School Fund
ASSETS			
Cash	\$ 5,315	34,994	(1,433)
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Accounts	-	-	1,433
Other	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 5,315</u>	<u>34,994</u>	<u>-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	40
Compensated absences	-	-	-
Due to other funds	-	-	-
Due to Component Unit	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>40</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Perpetual Care	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	-	-	-
Capital projects funds	5,315	34,994	(40)
Total fund balances (deficit)	<u>5,315</u>	<u>34,994</u>	<u>(40)</u>
Total liabilities and fund balances	<u>\$ 5,315</u>	<u>34,994</u>	<u>-</u>

Airport Terminal Fund	Sewell Park Fund	CDBG Housing Rehabilitation Fund	Wild Rose Allocation Fund
1,733	13,273	11,944	97,825
-	-	-	-
-	-	-	-
-	303	-	2,644
-	-	-	-
-	-	33,777	-
<u>1,733</u>	<u>13,576</u>	<u>45,721</u>	<u>100,469</u>
1,197	-	11,941	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,197</u>	<u>-</u>	<u>11,941</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
536	13,576	33,780	100,469
<u>536</u>	<u>13,576</u>	<u>33,780</u>	<u>100,469</u>
<u>1,733</u>	<u>13,576</u>	<u>45,721</u>	<u>100,469</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(Page 4 of 4)

	Capital Projects		
	Lake Project Fund	CDBG Sewer Fund	Airport Land Fund
ASSETS			
Cash	\$ 107,944	2,944	31,752
Investments	-		
Receivables			
Property taxes	-	-	-
Accounts	50,000	-	-
Other	75	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 158,019</u>	<u>2,944</u>	<u>31,752</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 7,275	1,472	-
Compensated absences	1,220	-	-
Due to other funds	-	-	-
Due to Component Unit	-	-	-
Total liabilities	<u>8,495</u>	<u>1,472</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Perpetual Care	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	-	-	-
Capital projects funds	149,524	1,472	31,752
Total fund balances (deficit)	<u>149,524</u>	<u>1,472</u>	<u>31,752</u>
Total liabilities and fund balances	<u>\$ 158,019</u>	<u>2,944</u>	<u>31,752</u>

Special Revenue			
South TIF Fund	North TIF Fund	North TIF LMI Set Aside Fund	East TIF Fund
-	-	-	-
59,563	55,320	-	76,317
-	-	-	-
333	1,671	239	1,206
-	-	-	-
-	-	-	-
-	-	-	-
<u>59,896</u>	<u>56,991</u>	<u>239</u>	<u>77,523</u>
-	-	-	-
-	31,992	-	-
-	-	-	-
-	-	-	-
-	-	-	-
32,428	-	-	-
<u>32,428</u>	<u>31,992</u>	<u>-</u>	<u>-</u>
<u>27,468</u>	<u>24,999</u>	<u>239</u>	<u>77,523</u>
-	-	-	-
-	-	-	-
-	-	23,788	-
(27,202)	(23,788)	(24,700)	(76,873)
<u>(27,202)</u>	<u>(23,788)</u>	<u>(912)</u>	<u>(76,873)</u>
266	1,211	(673)	650
1,203	50,415	1,158	-
-	-	-	-
<u>1,469</u>	<u>51,626</u>	<u>485</u>	<u>650</u>

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor governmental Funds
For the Year Ended June 30, 2008
(Page 2 of 4)

	Special Revenue			Debt Service
	ECDC Trust	ECDC	Community	Debt Service
	Fund	Revolving Loan	Beautification	Debt Service
	Fund	Fund	Fund	Fund
Revenues:				
Property taxes	\$ -	-	-	214,799
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	2,966	775	229	1,533
Intergovernmental	2,450	-	-	-
Charges for services	-	-	-	-
Special Assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	51,295	-	-	-
Total revenues	<u>58,711</u>	<u>775</u>	<u>229</u>	<u>216,332</u>
Expenditures:				
Current:				
Public safety	5,311	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	6,460	-	-	-
Community and economic development	55,320	11,874	-	-
General government	-	-	-	-
Debt service	-	-	-	478,923
Capital projects	17,861	-	18,527	-
Total expenditures	<u>84,952</u>	<u>11,874</u>	<u>18,527</u>	<u>478,923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,241)</u>	<u>(11,099)</u>	<u>(18,298)</u>	<u>(262,591)</u>
Other financing sources (uses)				
Bonds issued	-	-	-	-
Discount on bonds issued	-	-	-	-
Transfers in	6,000	-	21,500	260,282
Transfers out	(4,354)	-	-	(23,368)
Total other financing sources (uses)	<u>1,646</u>	<u>-</u>	<u>21,500</u>	<u>236,914</u>
Net change in fund balances	<u>(26,595)</u>	<u>(11,099)</u>	<u>3,202</u>	<u>(25,677)</u>
Fund balances (deficits), beginning	110,856	27,989	10,032	33,314
Reclassification of fund balance, beginning	-	-	-	-
Fund balances (deficits), ending	<u>\$ 84,261</u>	<u>16,890</u>	<u>13,234</u>	<u>7,637</u>

Permanent		Capital Projects			
Perpetual Care Fund	Improvement Revolving Fund	South Grand Fund	Rail Road Fund	Kearny Park Fund	First Street Fund
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	777	1,540	99	127
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,140	-	-	22,770	5,000	-
1,140	-	777	24,310	5,099	127
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	664,221	86,416	-	-
-	-	664,221	86,416	-	-
1,140	-	(663,444)	(62,106)	5,099	127
-	-	475,670	-	-	-
-	-	(3,568)	-	-	-
-	16,633	23,423	30,824	16,789	-
-	(5,532)	(8,600)	-	-	-
-	11,101	486,925	30,824	16,789	-
1,140	11,101	(176,519)	(31,282)	21,888	127
65,565	64,839	1,745	49,847	(12,377)	4,275
-	-	-	-	-	-
66,705	75,940	(174,774)	18,565	9,511	4,402

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor governmental Funds
For the Year Ended June 30, 2008
(Page 3 of 4)

	Capital Projects			
	Highway 18/ Urban Fund	Airport Runway Fund	Safe Routes to School Fund	Airport Terminal Fund
Revenues:				
Property taxes	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	530	603	-	328
Intergovernmental	36,599	-	8,259	-
Charges for services	-	-	-	-
Special Assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>37,129</u>	<u>603</u>	<u>8,259</u>	<u>328</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	904	7,191	8,299	1,197
Total expenditures	<u>904</u>	<u>7,191</u>	<u>8,299</u>	<u>1,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36,225</u>	<u>(6,588)</u>	<u>(40)</u>	<u>(869)</u>
Other financing sources (uses)				
Bonds issued	-	-	-	-
Discount on bonds issued	-	-	-	-
Transfers in	904	7,110	-	-
Transfers out	(81,814)	-	-	-
Total other financing sources (uses)	<u>(80,910)</u>	<u>7,110</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(44,685)	522	(40)	(869)
Fund balances (deficits), beginning	50,000	34,472	-	1,405
Reclassification of fund balance, beginning	-	-	-	-
Fund balances (deficits), ending	<u>\$ 5,315</u>	<u>34,994</u>	<u>(40)</u>	<u>536</u>

Sewell Park Fund	CDBG Housing Rehabilitation Fund	Wild Rose Allocation Fund
-	-	-
-	-	-
-	-	-
-	823	-
5,421	-	3,360
-	72,131	-
-	-	-
-	-	-
-	-	-
-	140	139,523
5,421	73,094	142,883
-	-	-
-	-	-
-	-	-
-	69,316	-
-	-	-
-	-	-
10,613	-	-
10,613	69,316	-
(5,192)	3,778	142,883
-	-	-
-	-	-
3,000	6,700	19,790
(1,301)	-	(147,410)
1,699	6,700	(127,620)
(3,493)	10,478	15,263
17,069	23,302	85,206
-	-	-
13,576	33,780	100,469

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor governmental Funds
For the Year Ended June 30, 2008
(Page 4 of 4)

	Capital Projects			
	Lake Project Fund	CDBG Sewer Fund	Airport Land Fund	Monroe Street Project Fund
Revenues:				
Property taxes	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	-	56	263
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special Assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	50,022	-	-	-
Total revenues	<u>50,022</u>	<u>-</u>	<u>56</u>	<u>263</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	160,217	-	-	51,303
Total expenditures	<u>160,217</u>	<u>-</u>	<u>-</u>	<u>51,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(110,195)</u>	<u>-</u>	<u>56</u>	<u>(51,040)</u>
Other financing sources (uses)				
Bonds issued	-	-	-	75,725
Discount on bonds issued	-	-	-	(568)
Transfers in	44,030	1,472	31,696	50,022
Transfers out	(67,095)	-	-	-
Total other financing sources (uses)	<u>(23,065)</u>	<u>1,472</u>	<u>31,696</u>	<u>125,179</u>
Net change in fund balances	(133,260)	1,472	31,752	74,139
Fund balances (deficits), beginning	282,784	-	-	-
Reclassification of fund balance, beginning	-	-	-	-
Fund balances (deficits), ending	<u>\$ 149,524</u>	<u>1,472</u>	<u>31,752</u>	<u>74,139</u>

Airport Environ. Assess Fund	Housing Development Fund	Nonmajor Governmental Funds
-	-	534,429
-	-	191,200
-	-	285,002
-	-	823
4	-	30,275
11,014	-	130,453
-	-	-
-	-	-
-	-	-
-	-	269,890
11,018	-	1,442,073
-	-	5,311
-	-	89,046
-	-	-
-	-	6,460
-	-	136,510
-	-	-
-	-	511,351
14,751	-	1,041,501
14,751	-	1,790,178
(3,733)	-	(348,106)
-	-	551,395
-	-	(4,136)
5,672	50,000	667,800
-	-	(1,133,965)
5,672	50,000	81,094
1,939	50,000	(267,012)
-	(90,000)	1,176,265
-	40,000	(9,976)
1,939	-	899,277

City of Emmetsburg, Iowa
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Property taxes	\$ 1,167,586	1,108,502	1,029,329	1,037,229
Tax increment financing	191,200	76,339	54,733	135,058
Other City taxes	374,398	449,677	60,258	23,268
Licenses and permits	34,755	17,869	19,745	9,846
Use of money and property	81,011	95,116	77,524	56,203
Intergovernmental	950,442	933,757	1,575,834	712,256
Charges for services	21,504	35,706	38,425	55,368
Special Assessments	38,972	32,606	87,327	158,407
Miscellaneous	742,193	478,416	187,899	120,229
Total revenues	<u>\$ 3,602,061</u>	<u>3,227,988</u>	<u>3,131,074</u>	<u>2,307,864</u>
Expenditures:				
Current:				
Public safety	\$ 481,599	466,264	443,517	406,277
Public works	767,749	642,917	552,371	484,170
Culture and recreation	307,561	452,262	237,741	224,900
Community and economic development	203,066	219,598	115,743	139,648
General government	320,051	288,854	270,822	249,245
Debt service	511,351	422,997	417,892	375,832
Capital projects	1,334,966	1,109,497	2,055,638	1,261,356
Total expenditures	<u>\$ 3,926,343</u>	<u>3,602,389</u>	<u>4,093,724</u>	<u>3,141,428</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council City
of Emmetsburg, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa as of and for the year ended June 30, 2008, which collectively comprise the City of Emmetsburg Iowa's basic financial statements and have issued our report thereon dated March 20, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item I-B-08, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Emmetsburg, Iowa and other parties to whom the City of Emmetsburg may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Emmetsburg during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Burdorf, Parrott And Associates, P.C.

March 20, 2009

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS

I-A-08 Segregation of Duties – During our review of internal controls, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. Over the past years, the City has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the City is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation function from receipt and disbursement functions.

Recommendation – We recognize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response – The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

Conclusion – Response accepted.

I-B-08 Audit Adjustments

Criteria - The City should have adequate procedures to provide for the accuracy and reliability of the trial balance given to the auditor.

Condition - During the course of the audit, misstatements that had a material effect on the City's financial statement were discovered. Adjusting journal entries were made to correct these misstatements.

Context - Although adjustments during the course of an audit are not uncommon, the independent auditor cannot be considered part of the City's internal control system.

Effect - As a result of this condition, there is a higher risk that misstatements that are material to the financial statements could occur and not be detected.

Cause - The City has relied on the independent auditor to some degree to provide assurance that the financial statements are not materially misstated.

Recommendation - We recommend that the City establish internal procedures to adjust all account balances prior to the audit.

Response - Management believes this change will result in potential financial statement misstatements being identified and corrected

prior to audit.

Conclusion - Response accepted.

I-C-08

Preparation of Financial Statements

Criteria - The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition - The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less material, but more inconsequential, would be identified and corrected.

Context - While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect - As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause - The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation -

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Response - The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of GAAP requirements in these disclosure checklists exceeds 50 pages in length. As a result, the City of Emmetsburg has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget – Expenditures during the year ended June 30, 2008 exceeded the amount budgeted in the debt service function by \$32,328 and public works by \$75,566. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - It appears that the budget was over expended because of misclassification of expenditures such as principal and interest of \$32,328 recorded in South TIF fund equal to the over expended amount in the debt service budget. The over expenditure in the public works is more difficult to determine. The City should carefully review their records to make sure that items are correctly classified before amending their budget.

Response – The City will review the classification of expenditures prior to the next budget amendment to make sure that all expenditures are recorded in the correct function.

Conclusion – Response accepted.

- II-B-08 Questionable Expenditures – There were no questionable expenditures that fell outside its established policy on such costs.

- II-C-08 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-08 Business Transactions - Business transactions between the City and City officials or employees are as follows:

Steve Finer, Council person

Jensvold Motor	Repairs and	
Company	Supplies	\$ 4,815
Gramowski Construction	Housing Rehab	\$ 18,295

In accordance with Chapter 362.5 of the Code of Iowa, the transaction with Jensvold Motor Company may represent a conflict of interest for the repairs and supplies since the total purchases exceed a cumulative total of \$1,500 for the year. The Housing rehabilitation transactions with Gramowski Construction was entered into through competitive bidding in accordance with Chapter 362.5(4).

Recommendation: The City should use competitive bidding process when practicable.

Response: The transactions were for normal expenses. A competitive bidding process is not always practical, however, we will endeavor to competitively bid the work when practicable.

Conclusion: Response accepted.

- II-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- II-F08 Council Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-08 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.